

To: USPTO

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USBIC is a national business organization founded in 1933 to represent the interests of domestic American manufacturing businesses. We currently represent 2,000 domestic manufacturers.

Subject: Request for Comments on the Feasibility of Placing Economically Significant Patents Under a Secrecy Order and the Need to Review Criteria Used in Determining Secrecy Orders Related to National Security

Date: June 18, 2012

The current laws governing publication of applications or patents for items on the export control list, as well as keeping patents secret at the request of US government agencies, undermine the rights of inventors and the basic Constitutional principles governing patents. The laws taken as a whole do not support the broad objectives of our patent system to expose knowledge so that others can build on it. Keeping domestic patents secret requires -- under the 1999 Act -- that applicants/patent holders agree to never file for protection abroad, which undermines U.S. export efforts. The same is true in the case of publication of patents for items on the export control list. The technology is available to be copied or reverse engineered but the patent holder is denied the economic benefit of being able to sell his commercialized technology abroad.

Part of the solution is a thorough reexamination of the role of secrecy and the mechanisms used to enforce it -- and their economic effect on patent holders. Another part of the solution is to reexamine the consequences of forbidding export of commercialized technology through the export control system while the patent/technology is made fully public by the publication rules. Yet another part of the solution is for the Congress to mandate that the Executive branch renegotiate TRIPS and other treaties to require that patent applications are kept secret until a patent grant is made

The current application backlog requires that publication, if it is to remain mandatory, at least occur in tandem with average pendency waits. When the publication system was put into place in 1999, average pendency was roughly 18 months. Now it is close to double that, but the law has not been modified to take this basic fact into account, likely inflicting heavy costs on inventors and the national economy as a whole.

The obvious fact is that the current system is not rational. Small businesses and individual inventors, as well as research universities and research consortia, are disproportionately harmed. In a quest for global harmonization – a quixotic goal and one meaningless to national and economic security – the needs of small businesses and individuals have been sacrificed.

Since the early 1990s, the United States has tried to ‘harmonize’ the U.S. patent system with those of Europe and Japan. Many current harmful policies are a result of this process, which is a legalistic approach to patents without reference to cost and benefits and to the realities of the American technology marketplace. The European system favors large entity inventors over small entity and individual inventors. As the European-type changes have been instituted, the percentage of patents going to small entities has declined from 29 percent in 1990 to 19.8 percent in 2011. The percentage of patents going to individual inventors has essentially collapsed with harmonization. In 1990, individual inventors were awarded 19.2 percent of all US patents. However, by 2011 only 6.9 percent of patents were awarded to individual inventors, a fall off of some 64 percent. This drop in patents awarded to individual American inventors is doubly significant as they often represent market-disruptive technologies, i.e., technologies that turn established markets on their heads and lead to entirely new industries. An additional problem of unknown cost is that today’s applications are published after 18 months – a completely arbitrary deadline with no relation to patent issuance. This is in essence a government taking, depriving an inventor of the right to his research, and the economic fruits thereof – and more so in the case where his application is ultimately denied. These problems are compounded by the lack of cohesion in the law for patents declared secret by government agencies or by export controls, which prevent patent holders from reaping economic gain from their technology while at the same time publishing that technology on the Internet for the world to see and copy. Major changes are thus necessary in patent law with respect to small entity and individual inventors and with respect to secrecy and export controls as they affect patents.

USPTO Questions

1. *Should the USPTO institute a plan to identify patent applications related to critical technologies or technologies import to the United States economy to be placed under secrecy orders?*

Yes. However, a new type of secrecy order and process is required – one that allows a patent to be issued, creates an independent judicial process to oversee compensation, and sets appropriate bounds on the use of the patented technology.

2. *Which government body should be designed by the President to provide the USPTO with the final determination as to which applications should receive this treatment?*

A CFIUS-like committee should be created with the responsibility jointly shared between the Departments of Defense, Home Land Security, State, Commerce, the Director of Central Intelligence, and Justice. Coordination should be joint, shared by Defense and Commerce.

3. *Which mechanisms should a governmental body use, at the time a patent application is filed, to determine that publication at 18-months of that particular application would be detrimental to national economic security?*

Any item or technology put on the export control list should automatically require related patents or patent applications not be published by USPTO.

4. *What criteria should be used in determining that dissemination of a patent application would be detrimental to national economic security such that an application should be placed under a secrecy order?*

The criteria should be formulated by the committee suggested in answer 2. Presumably relevant technologies would be reviewed prior to having applications or patents published.

5. *Would the current statutory authority provided to the USPTO cover regulations authorizing economic secrecy orders, or would such orders require a new statutory framework?*

A new statutory framework is required. Creation of a new joint committee in Congress comprised of functions of the Armed Services, Intelligence, and Commerce Committees with shared jurisdiction is required.

6. *What would be the effect of establishing a new regulatory scheme based on economic security on businesses, industries, and the economy?*

Individual inventors, universities, and research consortia are missing from the question. A new regime related to the security of patent applications and published patents should be a major national priority and should be formulated to decrease the theft of American IP.

7. *How could Government agencies best perform such a determination while remaining in compliance with applicable laws and treaty obligations?*

Many current problems exist because applicable laws and treaty obligations are inapposite to the present situation. Presumably, other governments share a concern about massive patent theft and infringement and would find that keeping patent applications secret to be an effective form of security.

The U.S. Congress has not considered the national and economic security implications of the early publication of patent applications. Neither has it considered the devastating effects on the level of invention by some of the most creative elements of our society – small businesses, universities, and individual inventors.

8. *How would such a policy affect the public notice function that underlies the policy of publication, including the ability of United States inventors and innovators to timely access the newest technological information upon which to build and stay ahead?*

The solution is to adequately fund the USPTO and reduce the pendency rate to an 18-months or less – as it was two decades ago. The 18-month publication rule is more economic suicide than rational innovation policy. The issue not being addressed is what the cost is to the national economy and R&D of the 18-month publication mandate. Congress should mandate an immediate study of this issue.

9. *What would be the impact on United States innovators, companies, and employers? How would such a secrecy order affect United States businesses that currently have substantial business operations or sales in foreign countries?*

Imposing secrecy orders on technologies that are on an export control list would increase pressure on government agencies to remove from the list those technologies that are available elsewhere and list only those where export controls could be effective. This step will likely increase exports.

10. Are the procedures currently available before the USPTO, such as non-publication requests and prioritized examination, sufficient to minimize risks to applicants and allay concerns with 18-month publication of their invention? If not, why?

No. Many small entities and most individual inventors cannot afford to purchase a prioritized examination. Many are not aware of the opt-out option. Hundreds of thousands of U.S.-origin patent applications are published at 18-months annually and one-third are rejected, but the information from rejected patents applications is put into the public domain. The losses to U.S. innovators and investors are enormous. Non-publication until a patent decision is made, coupled with the return of rejected patent applications as under the old system, is a certain and secure way to minimize risks to inventors and society.

11. What are the risks that an economic secrecy order regime would influence other nations to implement similar laws? Would the global implementation of an economic secrecy order regime benefit or hinder the progress of innovation in the United States?

Hopefully, other nations would adopt similar laws. A respect for intellectual property rights would be greatly enhanced by helping IP owners gain the exclusive right of use of their technologies in world where effective IP law does not exist in many nations. The automatic publication of patent applications in a world of state-sponsored IP theft, discourages R&D development and discourages small entity inventors. The high, negative cost of present policies has not been adequately examined.

12. How would such a secrecy order regime affect international efforts toward a more harmonized patent system?

This question assumes that harmonization is an overriding good and a goal shared by all nations. Since most nations do not share the American preference for the rule of law, harmonization is merely a means to the end of securing otherwise unavailable access to American technology. Concrete U.S. national and economic security issues far outweigh the benefits, if any, of a harmonized global patent system.

13. Should the USPTO consider limiting what is published at 18 months?

The past should be prologue: USPTO should publish only those applications where a patent has issued. There should be no publication until a patent is granted. Denied patent applications should be returned to the applicant unpublished.

I do not have adequate information to address questions 14, 15, 16 and 17.